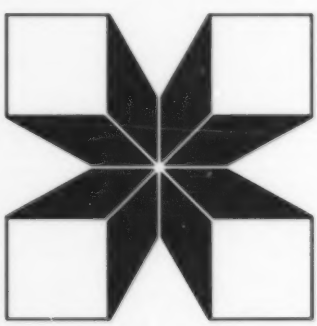
IDRC
CRDI
CIID



CANADA

# RESEARCH ON TRADE POLICY IN DEVELOPING COUNTRIES

## A SURVEY AND ASSESSMENT OF FUTURE PRIORITIES

ANN WESTON AND ROGER YOUNG

91-00542/

The International Development Research Centre is a public corporation created by the Parliament of Canada in 1970 to support research designed to adapt science and technology to the needs of developing countries. The Centre's activity is concentrated in six sectors: agriculture, food and nutrition sciences; health sciences; information sciences; social sciences; earth and engineering sciences; and communications. IDRC is financed solely by the Parliament of Canada; its policies, however, are set by an international Board of Governors. The Centre's headquarters are in Ottawa, Canada. Regional offices are located in Africa, Asia, Latin America, and the Middle East.

Le Centre de recherches pour le développement international, société publique créée en 1970 par une loi du Parlement canadien, a pour mission d'appuyer des recherches visant à adapter la science et la technologie aux besoins des pays en développement; il concentre son activité dans six secteurs : agriculture, alimentation et nutrition; information; santé; sciences sociales; sciences de la terre et du génie et communications. Le CRDI est financé entièrement par le Parlement canadien, mais c'est un Conseil des gouverneurs international qui en détermine l'orientation et les politiques. Établi à Ottawa (Canada), il a des bureaux régionaux en Afrique, en Asie, en Amérique latine et au Moyen-Orient.

El Centro Internacional de Investigaciones para el Desarrollo es una corporación pública creada en 1970 por el Parlamento de Canadá con el objeto de apoyar la investigación destinada a adaptar la ciencia y la tecnología a las necesidades de los países en desarrollo. Su actividad se concentra en seis sectores: ciencias agrícolas, alimentos y nutrición; ciencias de la salud; ciencias de la información; ciencias sociales; ciencias de la tierra e ingeniería; y comunicaciones. El Centro es financiado exclusivamente por el Parlamento de Canadá; sin embargo, sus políticas son trazadas por un Consejo de Gobernadores de carácter internacional. La sede del Centro está en Ottawa, Canadá, y sus oficinas regionales en América Latina, Africa, Asia y el Medio Oriente.

**This series includes meeting documents, internal reports, and preliminary technical documents that may later form the basis of a formal publication. A Manuscript Report is given a small distribution to a highly specialized audience.**

**La présente série est réservée aux documents issus de colloques, aux rapports internes et aux documents techniques susceptibles d'être publiés plus tard dans une série de publications plus soignées. D'un tirage restreint, le rapport manuscrit est destiné à un public très spécialisé.**

**Esta serie incluye ponencias de reuniones, informes internos y documentos técnicos que pueden posteriormente conformar la base de una publicación formal. El informe recibe distribución limitada entre una audiencia altamente especializada.**

IDRC-MR267e
August 1990

# RESEARCH ON TRADE POLICY IN DEVELOPING COUNTRIES

## A Survey and Assessment of Future Priorities

Ann Weston
(North–South Institute)

and

Roger Young

Material contained in this report is produced as submitted and has not been subjected to peer review or editing by IDRC Communications Division staff. Unless otherwise stated, copyright for material in this report is held by the authors. Mention of proprietary names does not constitute endorsement of the product and is given only for information.

# PREFACE

This document contains two reports which we hope will be of interest to trade policy researchers. The first reports the results of a survey of trade research being financed or implemented by agencies based in developed countries. While the sample is not complete, it does identify some of the principal topics on which trade research is being conducted. The second chapter provides a more substantive review of the trade policy literature and identifies some gaps which merit further research.

This document is offered as a modest attempt to share information and minimize duplication of effort among researchers in a large and disparate field. We hope you find it useful.

David Glover
Associate Director
Economic Policy Program
Social Sciences Division

## CONTENTS

| | | Page |
|---|---|---|
| A. | Trade Policy Research: A Survey and Assessment<br>Roger Young | |
| I | Methodology | 1 |
| II | Principal Findings | 2 |
| III | Appendices | 14 |
| B. | Future Research on Trade Policy for Development<br>Ann Weston, North-South Institute | |
| I | Trends and Emerging Policy Issues | 24 |
| II | Areas for Further Research | |
| | a) The Trade Liberalization Debate | 27 |
| | b) Other Issues | 39 |
| III | Conclusions | 46 |
| IV | Bibliography | 47 |

# TRADE BARGAINING AND TRADE POLICY RESEARCH:
# A SURVEY AND ASSESSMENT

Prepared by:

Roger Young
September 1989

# TRADE BARGAINING AND TRADE POLICY RESEARCH: A SURVEY AND ASSESSMENT

## TERMS OF REFERENCE

The terms of reference for this assignment requested the consultant:

. to prepare an inventory of ongoing research on international trade by conducting a mail survey of key research donors and research institutions active in this area;

. to offer a preliminary assessment, based on a survey of expert opinion, of the usefulness of research on trade bargaining and any other issues that may appear as research gaps.

## METHODOLOGY

A questionnaire survey was designed for mailing to key research-funding and research-executing agencies. The survey (see annex 1) requested information about ongoing research interests and priorities in international trade. Topics are identified by major fields such as general trade policies, North -South trade relations, sector specific research (ie agriculture, services, commodities, clothing and textiles), data analyses, and trade theory. An "answer sheet" is provided for project specific information.

The questionnaire asked senior representatives of the surveyed institutions to judge the utility of trade bargaining research as a means to assist developing country trade policy making.

The questionnaire asked respondents' views concerning the value of a trade research data base, its financing and functioning.

Thirty respondents were identified from key research-funding and/or executing institutions in North America, Western Europe and multilateral institutions. A list of those surveyed is

attached as annex 2. A total of twenty-three replies was received to the questionnaire providing a meaningful sampling of information and views on the issues covered in the questionnaire survey. The responses cover research-funding and executing agencies, based in Canada, the US, Europe and multilateral agencies such as the World Bank, the UN regional economic commissions, the OECD, GATT, WIDER, and UNCTAD.

## THE PRINCIPAL FINDINGS

### A Research Inventory

The survey was not intended to be a comprehensive listing of ongoing trade research activity. The results reported here should not be interpreted to represent a valid sampling of research priorities in the fields of international trade and trade policy.

One respondent, from an academic environment, claimed it is impossible to know of the work of colleagues in different faculties in one institution and therefore no reply to the questionnaire could be provided! It is not surprising then that a survey of trade research institutes and granting foundations must be a partial inventory at best.

The questionnaire did seek to have respondents reveal their priorities for trade research by identifying major fields of research activity in the international trade field.

There is scope for considerable overlap, and possibly an element of subjective judgement, as to which particular field to associate with a specific research project. Our objective was not to seek consistency in identification, but rather, to allow the respondents themselves to identify the relevant fields according to their own definitions.

The major areas of trade research activity identified by the respondents are:

general trade policy research--

twelve responses, covering for example, topics such as trade liberalization and its impact; the Uruguay Round issues of trade in services, agriculture, and the emergence of regional trading blocs and implications for the future of the multilateral trading system. For example IIE, ODI, UNCTAD, UNECA, UNECLA are among the institutions active in these areas.

North South trade relations--

also twelve responses, covering topics such as developing country trade strategies for the Uruguay Round, sector specific concerns of developing countries such as clothing and textiles, market access for Third World manufactures. The Ford Foundation, Rockefeller Foundation, World Bank, Commonwealth Secretariat, WIDER, SAREC, UNCTAD are among those supporting and/or executing research in these areas.

Sector specific trade issues--

services: eight respondents including the North-south Institute, World Bank, IIE, ODI, IIE Stockholm, and the Royal Institute are pursuing research related to services;

agriculture: seven respondents identified agriculture as an area of ongoing research involvement including the CSIER at the University of Western Ontario, the World Bank, IIE, ODI,IIES Stockholm.

industry and industrialization policies related to trade were mentioned by three respondents including the OECD and WIDER.

commodities: are of current research interest at the IMF and WIDER.

No respondent specifically identified trade bargaining as a current research activity or as an emerging priority at the present time. Indeed, one respondent may have misunderstood the meaning of the question about this subject in the survey by replying that if it was important it would already be part of the formal trade negotiating process.

The replies to the part of the questionnaire regarding ongoing research interests came in disparate formats, as annual reports, publication catalogues, specific project lists and on the answer sheets provided.

It should be noted that the World Bank's research inventory of ongoing trade related research, A Research Inventory for the Multilateral Trade Negotiations, lists 132 items covering the fifteen negotiating committees/topics under the current multilateral trade round. Of this number, 26 projects/studies were identified which could be considered as focusing on national or multilateral trade strategies, or which are oriented to trade policy strategies for individual, or groups of, developing countries. These research studies fall under a diverse set of topics including such studies as:

. barriers to Korea's manufactured exports and negotiating options by Prof. Eui Tae Chang of Kyung Hee University Seoul;

. industrial policies of industrial countries: impact on developing countries by Michael Finger World Bank;

. ASEAN Trade Strategies by ISEAS Singapore;

. agricultural policy issues in the GATT negotiations by the Economic Research Service USDA;

## A SUMMARY OF INDIVIDUAL RESPONSES

The main fields of research or research funding by selected respondents in summary form are as follows:

## 1. Centre for the Study of International Economic Relations

The Centre for the Study of International Economic Relations is located at the University of Western Ontario. CSIER noted in its response that all fields as identified on the questionnaire are of active current interest; however there is a particular emphasis on trade modelling (CGE), Canada-US trade relations, and sector specific issues including services and agriculture.

Prof. John Whalley is coordinator of a Ford Foundation financed study on developing countries in the multilateral trade negotiations which includes researchers from developing countries eg Brazil, Mexico, Argentina, Nigeria, Kenya, Tanzania, China, Korea and India.

This major "network" research project has been investigating the trade policies, concerns and negotiating options for a variety of developing countries. Special attention has been paid to involving trade-policy makers in the research by using project meetings to discuss research findings with GATT officials and trade ambassadors for example.

The findings of this research effort are to be published as The Uruguay Round and Beyond by McMillan publishers in late 1989.

## 2. North-South Institute

The North-South Institute is a private non-profit research institute based in Ottawa and focuses its work on relations between developed and developing countries.

Current trade research is focused on North-South trade relations with particular attention to Canada's trade relations with developing countries. Services, commodities and the evolving nature of protection are key interests. Major projects contemplated or underway at the Institute include the evolution on Canada's overall commercial relations with developing countries and regions. The Institute continues to monitor the implications of the bilateral free trade agreement recently negotiated with the United States and its implications for Canadian trade and trade policy vis a vis developing countries.

Another area of expertise being developed at thev Institute covers the relative benefits of preferences to MFN treatment for African developing countries.

3.Ford Foundation

The Ford Foundation is a major research financing foundation based in New York and active across a vide field of activities. Trade research grants are made based on judgements of the program staff in New York and in thirteen offices overseas. Current research support for trade topics covers a variety of issues including:

. funding to the University of Michigan to study the economic, political and the legal aspects of the international trading system rules and options for future reform;

. to the Institute of Research at Rio de Janeiro University to study industrial policy and trade in Brazil- a major player in the Uruguay Round;

. developing country strateg es for the current round of the MTN (to the CSIER at UWO and described in greater detail in note one above);

. to the Australian National University to study the evolution of export prospects for developing countries in the 1990s;

. to the IIE to study an evaluation of the political and economic issues in developing effective adjustment assistance programs,

. a researchers/policymakers network on developing country participation in the international economy (Trade Policy Research Centre, London).

4. Rockefeller Foundation

The Rockefeller Foundation is also a major research granting foundation based in New York and with a long-standing involvement in international economic issues. The Foundation is financing a multi-country research project on trade policy and policymaking in several developing countries ie Malaysia, India, Mexico, Brazil, Korea. This research effort focuses more strictly upon national trade interests, policies and national trade concerns vis a vis the international trading system for these individual countries.

The research results are to be published in 1989.

5. World Bank

The World Bank publishes an annual inventory of trade related research drawing from international sources, in and outside of government. "A Research Inventory for the Multilateral Trade Negotiations" is a rich source of documentation concerning research in the trade field.

Twenty-six out of 132 items reported in this inventory were identified as relevant to trade strategy and policymaking for developing countries. These research projects range over industrial policies, LDC responses to protectionism, agriculture, textile and clothing trade.

Measured by quantity alone tariffs and non-tariff measures, agriculture, and services are the most intensively researched issues at present.

6. Overseas Development Council

ODC is a private research institution with a focus on US-developing country relations. Trade research at present is concentrated upon the "trade concerns" of the US legislative branch. For example, ODC is researching the linkages between trade and employment in the Caribbean Basin; the issues related to labour standards and fairness in international trade; and intellectual property rights - all of which are receiving special US Congressional attention as the Uruguay Round proceeds.

ODC is also contemplating a significant collaboration with the Institute of Developing Economies in Tokyo and the Kiel Institute for the World Economy on the more general issue of "Economic Policies towards the Developing Countries" to begin in 1990.

7. Institute for International Economics

The IIE, a private research organization founded in late 1981, devotes special attention to global system concerns in the areas of international finance and trade.

With respect to trade issues, there has been special attention recently to commodities, energy, and the issue of reciprocity in trade bargaining.

IIE also devotes attention to the bilateral trading relations among major trading partners eg the Canada- US free trade agreement ( Jeffrey Schott, Murray Smith, Paul Wannacott), US - Japan ( C. Fred Bergsten and William Cline), and the political economy of US trade policymaking ( I. M. Destler and John Odell).

Research due for release in 1990 includes work on trade retaliation ( Thomas Bayard), an assessment of free trade areas ( Jeffrey Schott), and world commodity trade outlook ( Philip Vergler).

8. Overseas Development Institute

ODI, like ODC and the North-South Institute, concentrates on rich country-poor country relations. Trade covers a wide-ranging set of interests with particular attention recently to commodity issues; agriculture; the EEC and 1992 and developing countries. Research is carried out by ODI researchers and published by or for ODI.

Recent or forthcoming publications include:

. implications of changes in constraints on trade for LDCs -1990 with studies from Malaysia, Colombia, Zimbabve, Peru and Thailand.

. EEC barriers to tropical products - 1988

. 1992 and the developing world - 1990

. the impact of Lome on ACP export diversification.

9. IDS Sussex

The IDS has a broad range of expertise related not only to trade but also to wider issues of development policy with trade and industrialization being but one linkage. Current research is focused on

trade strategies for developing countries, including the appropriate balance between inward and outward orientation and the resultant consequences for growth and distribution( Hans Singer and David Evans);

manufactured exports and employment and wage implications in developing countries (Adrian Wood);

10. Commonwealth Secretariat

Current activity focuses upon general trade relations - regional trade blocs, GATT issues - but particular attention is devoted to providing Commonwealth countries with analytical and technical assistance related to their participation in the MTN.

11. Institute for International Economic Studies, Stockholm

The IIES research on trade covers a broad spectrum of work with research directed at developing country interests focused on protectionism ( Carl Hamilton) and agriculture ( Kym Anderson) and trade and development in Africa ( Peter Svedberg with Ravi Kanbur and Jonathan Frimpong-Ansah).

12. SAREC

SAREC supports a diverse set of research interests and trade is only one among several areas . There is a geographical focus on Africa, with research support to the University of Nairobi and Gothenburg University for a study of the trade experiences of the poorest countries. The trade liberalization experience of Sri Lanka is a study supported by SAREC and carried out by the University of Colombo in collaboration with IIES.

13. OECD

At the OECD, recent and forthcoming trade work is on the trade implications of emerging technologies, industrialization and trade. A major study in 1989 looked at changing comparative advantage in agriculture in Europe, North America Asia and Latin America.

14. UN Commissions

The three regional commissions which responded to the survey-- ECA for Africa, UNESCAP for Asia and the Pacific, and ECLA for Latin America and the Caribbean-- cover several research areas including North- South trade relations, and adjustment policies to help in the restructuring of their members' economies. Research covers the GATT issues as well as regional trade potential and the relationship of debt to trade.

15. UNCTAD

A current priority is to provide analytical papers, technical assistance and training seminars to developing countries to assist with their negotiating strategies for the Uruguay Round (see brochure). Activities supported by UNCTAD span the range of trade issues of concern to developing countries.

16. WIDER

WIDER is active in a broad range of research covering North-South relations. In the trade field it is supporting research dealing with the price and trade effects of Northern liberalization of commodity trade; commodity price instability impacts for Northern economies; and trade, industrialization and export market penetration in developing country contexts.

**TRADE BARGAINING**

A significant majority of respondents replied favourably to the suggestion that research on trade bargaining issues would be appropriate. Sixteen of twenty replies were positive while two answered no and a further two answered don't know.

The main reasons offered to support such research are:

a) developing countries need to identify their options and strengthen their capacity to negotiate within the GATT framework of reciprocal, negotiated agreements;

b) developing countries should increase their participation and invigorate their policy initiatives within GATT. The issues in GATT are changing eg services, TRIMS, TRIPS, countervail and subsidies are becoming more and more significant and developing countries must strengthen their capacity to negotiate these issues;

c) bargaining research would assist policy makers in developing countries and could increase the potential power of the weakest members if more concerted action could be achieved;

d) bilateral negotiations have reduced VER protection and these lessons in bargaining could be widened.

The negative assessment, which form a minority of responses, placed priority on a more traditional agenda for enhancing developing countries trade interests. One reply stated:

> "Research ought to focus on national trade policy options and international trade issues so that developing countries can determine where their interests lie. Research on the bargaining process is no substitute for this."

This comment may be interpreted to mean that research on trade bargaining should be focused on detailed analysis of individual country interests and only then seek to determine if coordinated bargaining positions within the international trade framework are feasible.

The other negative assessment is of a different character although again one can see some complementarity here too.

Developing countries have capable negotiators with respect to the multilateral trade negotiations and the issues remain the same---does the GATT liberalize trade and can GATT be improved to increase the benefits for all participants."

While developing country negotiators may be quite capable, particularly the stronger developing countries of Latin America and Asia, it is still an open question whether or not fuller information on negotiating options and their probable outcomes could be of use to these negotiators.

The "don't know" replies held to a view that the obstacles to more concerted action by developing countries, which would reflect their greater collective bargaining power, are well-known while the process of concerted bargaining is too hypothetical to be conducive to research. These cautionary remarks are worthwhile remembering as any research proposal on this subject evolves.

## ASSESSMENT

The general consensus among those surveyed for this assignment is that trade bargaining research would fulfil a gap in the state of current research knowledge and activity. However, the precise content and methodology for such research will require further thought and careful planning to ensure realistic research and policymaking objectives are established. Given the preoccupation of trade analysts with the rapidly evolving agenda for trade negotiations, bargaining research must be attuned to these needs.

The current efforts by Ford and Rockefeller, and UNCTAD to involve developing countries more closely into the GATT framework would be useful precedents for the researchers to be aware of and to draw on the analyses and results of these efforts.

In particular, the forthcoming publications of the Ford Foundation project of developing countries' strategies for the Uruguay trade round should hold some salient conclusions

regarding negotiating issues, coalition options and possibilities which the IDRC research network ought to be cognizant of and consider in the design of future bargaining research methodology. This research will be available in the summer of 1989 under the title "The Uruguay Round and Beyond", published by McMillan.

The tentative conclusions from that effort, as told to me by John Whalley, point to a renewed interest and activity by several developing countries to engage in negotiations on topics currently before the multilateral trade round. The issues seen to bear possible room for progress as at May 1989 include services, tropical products, "standstill and rollback" and in the longer term clothing and textiles, agriculture and commodities.

In summary then, there is general support for the idea of trade bargaining research although the precise scope, approach and methodology for accomplishing this work are beyond the scope of this survey. Nevertheless a few salient observations concerning some of these points are presented here.

## A TRADE RESEARCH DATA BASE

There is no strong support for the concept of a trade research data base as yet. Several respondents noted that the World Bank, GATT, and UNCTAD already maintain lists of one sort or another and that duplication of these efforts would be ineffective.

There are additional cautionary notes in the replies to the survey. One reply stated that information must be current, comprehensive and that establishing user fees for an unproven product is difficult. As well there is little capacity to pay for or maintain the costs of a data base at present among the institutions surveyed.

 Code Number

# INTERNATIONAL TRADE RESEARCH SURVEY

Please complete the following information.

SECTION A

ORGANIZATION NAME:

POSTAL ADDRESS :

TELEPHONE ( )
FAX ( )
TELEX

RESPONDENT'S NAME:
POSTION:

Is your organization a research-executing ☐
or a research-funding institution ☐? (please ✓ as appropriate)

A.1. Please list the current international trade-related research projects you are undertaking and/or financing at this time on the attached "answer sheet". You may wish to enclose a current annual report to reply to this question. If so, please ✓ ☐ here. I would appreciate your ensuring that the annual report covers the information requested on the answer sheet to question A1.

A.2. Please identify your priorities for future trade research as they currently exist by checking the appropriate field(s) and elaborating if necessary.

- ☐ Trade Policy issues general
- ☐ North South Trade relations
- ☐ Sectoral/Subject Approaches eg services, agriculture, commodity trade
- ☐ Trade Data/Statistical Analysis
- ☐ Trade Theorizing e.g.
- ☐ Other - please specify

SECTION B

B.1. Do you in your professional judgement believe that research focused on the process of trade bargaining for use in developing trade strategies for developing countries is needed?

YES ☐ NO ☐ DONT KNOW ☐

Could you please elaborate on your response briefly by noting the principal reasons for your judgement?

SECTION C

C.1. Do you believe that there is merit in establishing a trade research data base to compile and update information on current research activities in these fields? Are you aware of existing database networks in this area? Would you be prepared to participate in such a network? In principle would you be prepared to share in the cost of maintaining a network once the costs had been estimated?

C.2. Would you like to receive a copy of the information compiled for this exercise?

YES ☐ NO THANK YOU ☐

Thank you very much for your cooperation. Please enclose your reply in the attached self-addressed envelope and return by March 15 1989.

**ANSWER SHEET**

PROJECT TITLE:

PROJECT FIELD:

- ☐ Trade Policy Issues - general
- ☐ North South Trade Relations/Issues
- ☐ Sectoral/subject specific
- ☐ agricultural trade,
- ☐ commodity trade
- ☐ services
- ☐ industrialization
- ☐ Trade Policy Strategies
- ☐ Trade Liberalization
- ☐ global
- ☐ bilateral
- ☐ regional
- ☐ Data/statistical analysis
- ☐ Other please specify

Is this a "network project" involving other researchers? If so, would you please identify them below.

NAME/INSTITUTION
ADDRESS

(please use a separate sheet if necessary)

Please indicate anticipated results of any current research activities you are engaged in or supporting by checking where appropriate.

| | 1989 | 1990 | 1991 | 1992+ |
|---|---|---|---|---|
| Publication | ___ | ___ | ___ | ___ |
| Conference | ___ | ___ | ___ | ___ |
| Other | ___ | ___ | ___ | ___ |

## ANNEX 2

### LIST OF INSTITUTIONS SURVEYED

CANADA

Dr. Murray Smith
Director,
International Economics Program
Institute for Research on Public Policy
275 Slater St. Suite 500
Ottawa Ontario
K1P 5H9

Professor John Whalley*
Economics Department
University of Western Ontario
London Ontario
N6A 5C2

Ms. Ann Weston*
Program Director International Trade
North-South Institute
200-55 Murray St
Ottawa Ontario
K1N 5M3

USA

Mr. Tom Trabat*
International Program
Ford Foundation
320 E 43 ST.
New York New York 10017

Professor Robert Baldwin
Economics Department
University of Wisconsin
Madison Wisconsin 53707

National Bureau on Economic Research
1050 Massachussetts Ave
Cambridge Mass 02138

Dr. Catherine Gwin*
Rockefeller Foundation
1133 Avenue of the Americas
New York New York 10036

Council on Foreign Relations
58 E 68th St
New York New York 10021

Dr. J. Jalali*
International Economics Department
The World Bank
1818 H St NW Washington DC
20036

Dr. Michael Spence*
Dean of Arts and Science
Harvard University
Cambridge Mass
02138

Dr. John Harris
Boston University
147 Bay State Rd
Boston Mass. 02215

Ms. Christine Contee*
Assistant to the President
Overseas Development Council
1717 Mass Ave NW
Washington DC 20036

Dr. Thomas Bayard*
Institute for International Economics
11 Dupont Circle
Washington DC 20036

Carnegie Endowment for Intl Peace
11 Dupont Circle
Washington DC 20036

Dr. Dean DeRosa*
Commodities Division
IMF
Washington D.C. 20431

UNITED KINGDOM

Mr. John Howell*
Director
ODI
Regents College Inner Circle
Regents Park
London NW1 4NS

Dr. Adrian Wood*
Fellow
IDS
University of Sussex
Falmer Brighton
BN1 9RH

Dr. Stephany Griffith-Jones*
IDS

Dr. P. Nicolaides*
Royal Institute for Intl Affairs
Chatham House
10 St James Square
London SW1 4LE

Dr. A. B. Atkinson
LSE
Houghton St Aldwich
London WC2 2AE

Dr. I.R. Thomas*
Economic Affairs
Commonwealth Secretariat
Marlborough House
Pall Mall
London SW1Y 5HX

EUROPE

Mr. Bo Bengtsson*
Director General
SAREC
S-105 25
Stockholm Sweden

Carl Hamilton*
Institute for Intl Economics
University of Stockholm
Universitetsvagen 10a 8 floor
Stockholm Sweden

Mr. Hemma Perrera
Assistant to the Director
WIDER
Annankatu 42c
00100 Helsinki Finland

Dr. Louis Emmerij*
OECD Development Centre
94 rue chardon Lagace
Paris 75016

MULTILATERAL

Mr. Robert Brown*
Office of the Executive Secretary
CEPAL
UN Building
Casilla 179-D
Avenida Dag Hammerskjold
Santiago Chile

# Future Research on Trade Policy for Development

A Report for the International Development Research Centre
by Ann Weston, North-South Institute*
December 1989

*The research assistance of Vivek Dehejia is gratefully acknowledged.

I would also like to thank the many people who provided comments on an earlier draft.

Contents


| | Page |
|---|---|
| I. Trends in developing country trade and emerging policy issues | 24 |
| II. Areas for further research | 27 |
| A. Developing countries: the trade liberalisation debate | 27 |
| 1. Outward orientation and economic growth | 27 |
| 2. Sequencing, timing and extent of trade liberalisation | 30 |
| Distributional implications | 35 |
| The relationship between trade and the labour market | 35 |
| The impact of trade barriers in developing countries | 36 |
| 3. Micro aspects of trade policy | 37 |
| B. Other issues | 39 |
| 4. Uruguay Round issues | 39 |
| 5. Factors influencing trade policy | 41 |
| Trade policy institutions | 41 |
| Political and economic determinants | 42 |
| 6. Trade bargaining | 43 |
| 7. North-South interdependence revisited | 45 |
| III. Conclusion | 46 |
| Bibliography | 47 |

Trade policy research is a popular, and prolific, field. A major factor is the ever-broadening definition of trade policy, from tariffs and non-tariff measures applied at the border, to include any domestic policies which may distort trade - in services as well as in goods. Even policies governing investment and intellectual property rights are now the subject of discussions in the GATT. This makes it difficult fully to reflect all the recent and ongoing work in a short paper.

The intention here is to focus first on trends in developing country trade and emerging policy issues. The subsequent sections will highlight what recent research[1] has contributed to the understanding and policy responses to these issues, where there is still a debate about the nature of the problem or the appropriate policy responses, and where further research is needed. Issues primarily of concern to developing country policy-makers are dealt with first, after which the paper turns to a number of issues raised in the context of the Uruguay Round of GATT trade negotiations, before identifying a number of issues relevant to developed countries in particular.

## I. Trends in developing country trade and emerging policy issues

According to many indicators recorded by the GATT, world trade continues to play a key dynamic role in the world economy, with trade-related investment and production amongst the leading sources of growth. In 1988, the fourth consecutive year of accelerating trade growth, the volume of world merchandise trade rose by some 8.5 per cent, as much as in the 1984 post-recession boom. The more rapid trade growth relative to output underlines the increasing economic linkages between countries, and what has become known as the globalisation of production. (GATT, 1989.)

Originally concentrated on a narrow range of products and countries, this growth has become more balanced. Though trade in manufactures continues to be the most dynamic, the differential with agriculture and mining has narrowed somewhat. (Comparable figures for trade in services are still not available, creating a major gap in the analysis of world trade.) So too has the differential between the slowest and fastest country groups. A much larger number of countries has contributed to the trade growth through their import demand - compared to 1984 when US imports grew by 24 per cent compared to world import growth of 9 per cent. Likewise (with the exception of US and Japanese exports) the growth of exports has been more even. In 1988 many more non-Asian, non-OPEC countries performed better (in terms of the volume of exports) than earlier.

---

[1] As reflected in over 70 articles, papers, and books. See bibliography.

Despite these promising signs, a number of problems persist or have emerged in recent years. These include:

- For many commodity producers, the terms of trade have continued to decline. Despite some recovery in 1987 and 1988, the real price of non-fuel commodities remains 20 per cent below 1980 levels, while the price of fuels has fallen by more than a half. Recent IMF figures forecast little improvement by 1990 for Middle East exporters, and a slight deterioration for those in Latin America and Africa, with terms of trade below 1980 levels by as much as 52 per cent, 38 per cent and 28 per cent respectively. The World Bank expects the decline to continue through 1995 (World Bank, 1989). This is of major concern given that the commodity sector still accounts for over 40 per cent of GDP in more than half of all developing countries.

- The overall economic situation in many highly indebted countries has continued to worsen, reflected in slowing and even negative per capita income growth. While export earnings have risen, they remain below 1981 levels in real terms. Interest rates on debt have risen but not net capital inflows.

- The future growth of world trade appears threatened by the increasing use in many countries of protectionist measures - with non-tariff barriers (NTBs) replacing tariffs as the primary instrument. For example, in the six months leading up to May 1988, the total number of export restraint arrangements almost doubled. Of the 261 measures in place (excluding those under the Multi-Fibre Arrangement), 125 affected imports from developing countries (GATT, various issues). Increasing use has also been made of countervailing and anti-dumping duties against imports from developing countries, often at high levels, and on grounds which are questionable under the GATT. Altogether roughly 20 per cent of developing country exports face NTBs, twice the share for industrial country exports. And the introduction of tougher legislation to deal with 'unfair' trade in the US (notably the 1988 Omnibus Trade Bill) and the EC has paved the way for further import restrictions.

- Some of the pressure for protection has been generated as a result of substantial bilateral or overall trade imbalances, even though the underlying economic logic is questionable. In 1988 the US trade deficit fell for the first time in the 1980s, while the Japanese surplus narrowed. However with capacity constraints limiting the growth of US export volume, and the persistence of the underlying US budget deficit, coupled with resilient West German and Japanese exports, major external imbalances are likely to continue to be a source of instability.

- While recent world economic growth has been accompanied by increasing convergence between a number of developing and developed economies (in terms of GDP per capita, composition of

output and other indicators), for several developing countries the issue is one of growing divergence. (This was the theme of a conference organised by the OECD Development Centre in early 1989, see Emmerij, 1989.) Even the best-case scenario in the World Bank Report 1989 envisages no more than a 0.1 per cent increase in per capita GDP in sub-Saharan Africa until 1995, after years of steady decline. The latest African Development Report suggests that a process of 'delinking' may be at work, as the volume of African exports has not expanded proportionately to the economic expansion in industrial countries, compounding shortfalls resulting from price declines, especially of tropical beverages. Certainly Africa's poor export performance in the 1980s has been a key factor in its divergent economic path.

- Even the remarkable performance of the Asian newly industrialising countries (NICs) began to slow down in 1988 and will continue to do so with slower economic activity in the industrialised countries (IMF, 1989, p.131). Expansion of the Japanese import market will only partially offset lower growth in Europe and the US.

In response to these various developments, a number of initiatives have been taken. At the international level, measures to improve future trade prospects - to sustain growth in world trade and spread the benefits to many countries - are the subject of the Uruguay Round of GATT trade negotiations. These are the most complex and therefore the most ambitious GATT negotiations, partly a result of the many 'new' issues (like services) as well as the recurring and difficult 'old' issues (like safeguards and agriculture). Rapid technological change and the globalisation of production are also key factors. Developing country members, as much as developed country, are having to evaluate their present trade and adjustment strategies, and to consider undertaking substantial changes.

At the same time, frustration with the pace of the GATT, and/or the desire to form closer links with more compatible countries, has led some countries to pursue trade liberalisation in other ways - unilaterally, bilaterally, and regionally. A key issue is how these different efforts overlap, and whether they reinforce or undermine each other. For many smaller developing economies, despite the limited successes of the 1970s, regional arrangements are being considered anew as a means of realising economies of scale, promoting competition, efficiency and thus economic development (see for example, the latest edition of the African Development Bank's annual report, UN Economic Commission for Africa, 1989, and World Bank, 1988).

Within UNCTAD, attempts to improve the prospects for commodity traders continue to be made. The collapse of most international commodity agreements suggests that the emphasis of the recently activated Common Fund will be on diversification and

assistance with processing and distribution. UNCTAD is also involved in the promotion of South-South trade, through the GSTP.

However, by far the major area of current trade reform, outside the GATT, lies in the developing countries themselves. Many countries are undergoing difficult periods of structural adjustment, usually involving substantial changes in their trade policy. During the 1980s some 40 countries have undertaken trade reforms supported by trade-related adjustment loans from the World Bank and various IMF programs.

## II. Areas for further research

In the following pages we concentrate on various research issues that have emerged in the current discussion of trade policy and identify where further research is needed.

### A. Developing countries: the trade liberalisation debate

While not hitting the news headlines, currently there is an extensive debate over many aspects of trade policy in developing countries, suggesting the need for more theoretical and empirical research in a number of areas. Differences of opinion exist at several levels, both within and between many countries as well as a number of institutions, including the World Bank[2]. The most notable issues, which are discussed here, include: the relationship between 'outward orientation' and economic growth (related to which are questions of replicability and the importance of the external economic environment), the appropriate sequencing, speed and extent of trade liberalisation, and micro aspects of trade (especially export) policy.

#### 1. Outward orientation and economic growth

In the 1970s and early 1980s a lot of the literature suggested that there was a positive association between outward orientation and economic growth, and therefore that countries should move away from inward-looking, import-substituting strategies. (eg J.Bhagwati , 1978, A. Krueger, 1978; I. Little et al, 1970) Certainly the rapid growth rates of the NICs led many countries to reconsider the scope of export-led growth.

But recent empirical and theoretical work (see for example, Addison and Demery, 1989; Bradford Jr, 1987; Colombatto, 1988; Helleiner, 1989; Singer and Gray, 1988) has questioned the nature of the relationship between outward orientation and economic

---

[2]A group of Bank economists are producing a document on trade policy, which may attempt to iron out some of these differences. It was due to be ready by 1990.

growth. So too have a number of countries, following on their experience with declining terms of trade, growing protectionism, and the costs of import liberalisation.

In response several authors have re-articulated the arguments in favour of trade as the 'hand-maiden' of growth. (See for example, Lal and Rajpatirana, 1987; Balassa, 1988a; Balassa,1988b; Bhagwati, 1988a; Langhammer, 1987; Hiemenz and Langhammer, 1989). Thus there has emerged a substantial debate about the correct approach for developing countries to follow.

A key element in this debate is the difficulty of objective measurement of outward orientation. As Helleiner notes (1989), there have been several methods used - based on trade shares, incentive structures, and trade policy instruments - and this has caused a degree of confusion in the debate. More importantly difficulties in the calculation of broad averages such as overall incentive structure, coupled with doubts about their real meaning, have been compounded 2by inadequate cross-country comparable data. By way of illustration, Heimenz and Langhammer (1989) note the difficulty of dividing sub-Saharan African trade regimes into inward or outward categories. A number of studies, notably the World Bank (in its World Development Report 1987) have therefore combined qualitative with quantitative indicators. Some (like the recent World Bank study of 19 countries - as summarised in Michaely et al, 1989) have used subjective measures (ie in this case an ordinal index from 0 to 20, with a higher index indicating greater liberalisation, reflecting the judgment of each individual country study author), making cross-country comparisons difficult.

Amongst the issues of contention are the theoretical underpinnings of the outward orientation school, which it is contended are not well developed, and often based on intuitive or casual empiricism. For example Bhagwati argues that for open economies 'gray area dynamic effects', scale economies, and X-efficiency, are likely to be greater. But there is little empirical work to support this as yet (as Lal and Rajapatirana, 1987, confirm). Likewise the direction of causality, between export growth and economic growth, remains indeterminate.

The empirical results of studies linking export growth or outward orientation to economic growth have often been inconclusive (while little attention has been given to the relationship between import shares and economic growth, Helleiner, 1989). In some cases negative associations have been found; in others the association has been insignificant (eg Bradford, 1987, and Colombatto, 1988). Where significant and positive results have been obtained, various aspects of the methodologies used (such as subjective criteria, or limited country samples) have been questioned as well as the correct interpretation of the results.

Others have questioned the extent to which the characteristics and performance of the inward and outward countries is markedly different. For example Bradford (1987) using the same countries as an earlier study for the World Bank shows that on average the GDP growth, savings ratios, and price distortion index of the two groups is barely different. Nor is there any difference in the average for distortions in exchange rates or the real interest rate. (For example, while Korea, Tunisia and Thailand may have low indices for all price distortions variables, so do three inward-oriented countries - India, the Philippines and Brazil.)

Another area is the relative importance of the import-substitution phases which preceded (and even accompanied on a more limited basis) the rapid expansion of exports in many countries (eg Ariff, 1988 on the ASEAN countries, Young 1988 on Korea). While some have suggested that such import-substitution was essential to build up an export platform, others have argued that it merely delayed the launching of an outward-oriented strategy. (The issue of sequencing of trade policies, and government intervention, is dealt with more below.)

Two other issues are often raised. One is the extent to which the external economic environment is a factor to be taken into account, and its importance relative to internal factors. The other is replicability of the NIC model.

The risk that any deterioration in the external economic environment will be more rapidly transmitted to open economies than to others, has been used by some analysts to defend inward-looking strategies (eg Siddharthan, 1988). Certainly a number of studies (eg Singer and Gray, 1988) have found that the relationship between exports and growth weakened with the global recession. On the other hand, the relationship weakened less for outward-oriented countries (Lal and Rajapatirana, 1987). An area for further study could be factors underlying the relative successes of the export-oriented countries in adjusting to the slowdown in world economic activity, compared to others. The orthodox view has been to assume that riding the roller-coaster of world trade is beneficial to all countries, but the potentially harmful effects need to be acknowledged and researched. Moran (1988) whose own work underlines the impact of external economic activity (as measured by the income elasticity of foreign demand) on the volume of exports, concludes more work is needed on how best to model the impact of this and other external factors on a country's export activities.

The debate over the replicability of the NIC outward-led growth stems partly from the weaker, and in some cases negative, relationship between export growth and economic growth for lower income countries, especially those in sub-Saharan Africa (Helleiner, 1986 and Singer and Gray, 1988). Moran (1988) finds

that the size of the developing economy affects the responsiveness of export volumes to price changes. The composition of exports is another key factor, with exporters of manufactures consistently performing better than primary commodity exporters. Replicability is also related to the issue of the external environment, which may affect both the demand and the supply sides. Can the world market bear additional exports, or will this lead to declining (barter) terms of trade, or even protectionism?

For commodity exporters, the experience of the 1980s coupled with little prospect of real price improvements in the medium-term, has led to scepticism about the scope for growth through export expansion, without major product diversification (see below). Recent work has endorsed the broad thrust of the Singer-Prebisch hypothesis of secular deteriorating terms of trade for primary products (Grilli and Yang, 1988; Sarkar, 1987), though its applicability to mature industrial products typically exported by developing countries remains to be tested. Brecher and Choudhri (1982) have laid new theoretical foundations for the hypothesis. There is a debate, however, about the extent of the decline (whether it is as large as Prebisch-Singer would suggest), and its economic significance (given that it may be offset by increasing productivity). More empirical work on secular productivity trends appears necessary to settle the latter point.

Many authors have rejected such export pessimism for manufactures. Langhammer (1987), for instance, argues that developing country export growth depends less on external demand elasticities than internal supply elasticities. Nevertheless it is unclear that this result has been established for all developing countries, and there is scope for further empirical study of the issue. According to Bhagwati, the 'fallacy of composition' is the only key question left unanswered in the debate over export orientation - suggesting a need for more empirical work - though it is rejected by others (eg Langhammer, 1987, Lal and Rajapatirana, 1987) as being without theoretical or empirical foundation.

On the supply side, the availability of external finance (whether in the form of private foreign investment, bank lending, or credit for imports) may be critical for countries to gear up for export-oriented growth.

2. Sequencing, timing and extent of trade liberalisation

While it is generally agreed that trade liberalisation is an important element in structural adjustment, given the high levels of trade distortions in most countries, disagreement arises over both the optimal transition from an inward-looking to an outward oriented economy (about which economic theory has little to say -

according to Addison and Demery, 1989) and what this final state looks like. Some (eg Heimenz and Langhammer, 1989) recognise that there can be no 'cookbook recipes' for the transition, given the different circumstances prevailing in most countries and also the inadequate knowledge about the linkages between the goods, factor and foreign exchange markets, and their relationship to the timing of the liberalisation process. The question is whether there are certain essential ingredients to be used in a common sequence, as implied by a number of the World Bank structural adjustment packages. More comparative studies, focusing on countries with experience of structural adjustment loans, and especially some of the non-NIC 'successes' such as Botswana or Mauritius, could be useful in this context.

Some authors recognise the need to minimise adjustment costs (eg resource unemployment, regressive effects on income distribution) if the reforms are to be sustainable. Most work has focussed on the manufactures sector, rather than agriculture despite the large number of people still dependent on this sector (see, for example, Loxley 1988). Major issues for future research therefore include the implications of actual or potential trade liberalisation on the nontradeables sector, agriculture and the resource-based sector, labour markets and income distribution (Addison and Demery, 1989).

On the issue of sequencing, the debate concerns both the relationship of trade liberalisation to the overall structural adjustment process - principally whether it should follow macroeconomic stabilisation policies, or occur at the same time - its relationship to liberalisation of capital and labour markets, and whether imports should be liberalised with or after export promotion.

Sachs (1987) inter alia notes that macroeconomic stabilisation is a necessary precondition for successful trade liberalisation. In an economy with high inflation, public spending and/or balance of payments constraints, attempts to promote exports or liberalise imports will be difficult. Whereas some (eg Heimenz and Langhammer, 1989) advocate stabilisation and liberalisation policies be pursued simultaneously, Sachs argues they may work at crosspurposes. For instance, stable exchange rates and cuts in public spending associated with the former, are incompatible with the devaluation and export promotion often associated with the latter. Similarly, differences have arisen over appropriate tariff policy between the IMF, which has recommended tariff increases to generate revenue, and the World Bank, with its emphasis on tariff cuts to stimulate trade.

Much reference has been made to the successful East Asian economies who underwent a fairly extensive period of stabilisation before embarking on trade liberalisation (Sachs, 1987). And it is now more widely accepted that macroeconomic

stabilisation is an essential first step. Many developing countries, however, may not be able to afford such lengthy adjustments. The key issue therefore is whether there are compatible stabilisation and trade liberalisation policies.

As to the capital and current accounts, it is generally agreed that in an ideal world they should be liberalised simultaneously (Addison and Demery, 1989). The question is what should happen in an imperfect world, where the goods market usually takes longer to restructure in response to new incentives following liberalisation, than does the financial market. For instance a sharp inflow of capital may lead to appreciation in the exchange rate and thus act as a disincentive to exports. In Chile and Uruguay, a major problem for the trade liberalisation strategy was the destabilising effect of the parallel liberalisation of the financial markets (Lal and Rajapatirana, 1987). Adjustment costs are usually lower if trade is liberalised before capital flows, rather than simultaneously (Addison and Demery, 1989).

Coordination with monetary and exchange rate policies is also important. A real exchange rate depreciation may lower adjustment costs, by reinforcing export incentives, while reducing the impact of tariff cuts on output and employment in import-substituting industries, and lowering the trade deficit. There are many cases where attempts to promote exports were undermined by an exchange rate which appreciated in real terms.

With regard to the phasing of import and export policies, it is often easier to liberalise imports when exports are already growing (McCleary, 1989). In East Asia there was a fairly clear sequence of industrialisation under import substitution, followed by export promotion, and then extensive import liberalisation only after exports had taken off (Sachs 1987). Whether resources are shifted from the import-substituting sector to the export sector, however, will be influenced by expectations about government policy; where there is a history of policy reversal, the resources may not be shifted (Addison and Demery 1989).

On timing, there is some support for rapid change in trade and other policies - the short, sharp shock treatment - on the grounds that if adjustment is too slow, it will not be credible and so will not lead to the desired reallocation of resources. Michaely et al (1989) suggest a period of 6-7 years to move from massive restrictions to free trade (a la Chile). On the other hand, Preusse (1988) believes that the experience of a number of South American countries shows the need for a gradualist approach - rapid change is often not politically sustainable. A slower program may be preferable to the extent that the adjustment costs are lower.

In low-income primary commodity dependent countries, with limited industrial sectors, various bottlenecks (eg lack of technology, management and other skills, infrastructure, as well as fiscal and foreign exchange constraints) make it unlikely that the export sector can expand as quickly as it has in the East Asian countries. This suggests the need for slower trade adjustment programs in order to minimise resource unemployment and the risk of recession in the transitional period. If the export sector is unable to generate the jobs and foreign exchange revenue needed to offset the costs of the expansion in imports (including job losses in the import-competing industries) rapid trade liberalisation may be politically and economically unsustainable. (The distributional consequences of trade liberalisation are dealt with below.)

Timing is also critical in another sense. Several cases of trade liberalisation in the late 1970s and early 1980s proved unsustainable because of a rapid downturn in the world economy, declining terms of trade, and a sharp increase in world interest rates etc (eg Ariff, 1988, on the ASEAN experience). The relative buoyancy of the world economy in the 1960s and early 1970s contributed to an easier transition to export-led growth in the case of East Asia (see, eg Addison and Demery 1989, and Sachs 1987). Speed is also dependent on the availability of resources (external or internal) to finance adjustment and cushion those adversely affected.

There are marked differences of opinion about the optimal extent of trade liberalisation. These reflect different levels of concern about the distributional consequences, and different views on the desirability (and efficacy) of government intervention. At one extreme the complete removal of all trade barriers is advocated; protection on infant industry grounds is rejected as likely to create vested interests which are difficult to dismantle later, as well as constraining exports. Government intervention in trade should be kept to a minimum, with respect to both imports and exports; an export-bias should not replace the existing anti-export bias. (Whether or not this was the approach of Korea and some of the other NICs is a matter of some debate, see below).

Others, however, recognise that political and economic constraints may moderate the extent of trade liberalisation and the withdrawal of the government from this policy sphere. Thus the removal of quantity restrictions and other controls that generate rent-seeking activity as well as distorting markets, may be combined with a minimum uniform tariff. This provides some protection for infant industries (but without the government becoming involved in picking winners or losers) as well as generating government revenue and checking the trade deficit.

In cases of severe structural trade deficits, a combination of both import-substitution and export-promotion policies may be appropriate (eg Heimenz and Langhammer, 1989, and Young 1988). It is not clear what role, if any, governments should play in the selection and establishment of efficient import-substituting and/or export industries, eg to ensure that those set up have maximum positive externalities and minimum import needs, or whether this should be left to market forces. In economies with a small industrial base, government involvement may be called for, in which case there will be a need for more information about the relative merits of different import-substituting and export industries (Helleiner, 1989). This is dealt with more below as is the possibility that strategic considerations may justify selective intervention.

Bradford, amongst others, notes the importance of non-trade policies (such as production subsidies) in fostering industrialisation and manufactured exports. He criticises the new orthodoxy about the NICs' success, on the grounds that it overlooks their governments' considerable intervention at various levels, even if not at the level of trade or exchange rate policies.[3] This may lead governments to adopt more market-oriented policies when interventionist export-promotion policies might be more effective because they accelerate structural change.

Besides subsidies, there are a number of other areas where government policy is increasingly being considered to affect trade, but where the impact is underresearched, particularly in developing countries. These include rules on investment (a subject in the ongoing GATT trade talks) and monopolies.

Another concerns the relationship between human capital and trade. Work by Grossman and Helpman (1989), for example, uses a model incorporating imperfect competition in which patent holders earn monopoly rents. They illustrate that tariffs on imports of final goods may reduce a country's research and development (R&D), and in turn lower long-run growth rates, whereas government subsidies to R&D may raise long-term growth rates. There are parallels here with strategic trade theory. According

---

[3]In particular he objects to the 'tendency to link strategies, policies, and politics to each other so that pure forms tend to emerge.. Export-oriented growth strategies are seen to be linked to realistic policies on exchange rates and interest rates, thereby getting prices right and letting markets work. Import substitution strategies are seen to lead to a larger role for the state, more intervention in markets, distorting prices, and generating severe external imbalances. In reality the coherence of the different elements of a policy regime are rarely so clear-cut.' 1987, p194

to the authors, further investigation is needed of the links between trade regimes and both the accumulation of human capital and the adoption by developing countries of off-the-shelf techniques.

## Distributional implications

Some of the concern about the speed and extent of trade liberalisation stems from the possibility of negative effects on income distribution. It is generally recognised that the distributional consequences cannot be neglected, if policies are to be sustainable, and should be the subject of more research (eg Helleiner, 1989).

To date most studies have looked at general trends in income distribution and poverty in trade liberalising countries. The East Asian NICs are often used to illustrate a positive association with outward orientation (though how far earlier land reforms played a role is a matter of debate). More recently, however, income distribution in the NICs has worsened and the underlying factors warrant investigation (Addison and Demery, 1989).

Two major problems are the complex link between trade and personal income distribution and the lack of data (eg import propensity by income group or distribution of factor incomes in export activities) (Bhatia, 1987). Some studies have examined primary or functional income - this is the approach in the recent volume of six country case-studies published by the OECD (Bourguignon and Morrisson, 1989). One of its conclusions was that government intervention in the form of a minimum wages policy, for instance, may help to increase the positive impact of exports on income distribution. But few have included secondary transfers resulting from trade policies (eg quota rents, tariff revenues) which can be important in determining the distribution of personal income, or income earned indirectly by input-supplying firms.

There would also appear to be a need for more work, building on the OECD study, on the different distributional impacts of industrialisation based on import substitution and export promotion, and on specific industries within each. Such data could assist decisions about alternative trade policies. Finally, another gap is the relative neglect of the impact of trade liberalisation on agriculture, natural resource sectors, and non-tradeables.

## The relationship between trade and the labour market

There has been even less theoretical and empirical work on the related area of the effects of trade liberalisation on employment. This partly reflects a lack of employment data as

well as methodological problems. Free trade zones have been examined but not much else (Hiemenz and Langhammer, 1989; Edwards, 1988.) Amongst the key issues are whether the labour market is able to respond smoothly to structural changes (or will there be transitional unemployment), whether its distortions are likely to impede trade liberalisation, and whether it needs to be deregulated (and if so, how far).

Neo-classical trade theory (assuming the developing country to be labour-abundant and exporting labour-intensive goods in a Heckscher-Ohlin framework) suggests that liberalisation will lead to increased labour-intensive production and thus employment. But there is concern with transitional unemployment if the export sector fails to absorb labour shed by import-substituting firms; in the fixed factor (Neary) model, the abundant factor will suffer in the short-run due to lack of mobility between sectors. While the evidence that does exist seems to suggest mild liberalisation does not lead to significant increases in unemployment, there has been little research on the effects of sweeping import liberalisation. Edwards (1988) suggests that the rigidity of the labour market will be critical in determining the net effect, with more rigid structures arguing in favour of gradual liberalisation.

There has been much discussion in the developed country context of adjustment assistance aimed specifically at workers, to address changes induced not just by trade but also by the introduction of new technologies, changing patterns of demand and other factors. While there has also been some reference to employment practices and adjustment assistance in some of the more advanced developing countries eg Korea, there would appear to be scope for more work in this area. In particular questions to be answered include, what are labour-related adjustment assistance policies and practices in various developing countries? which have been more successful? to what extent are such policies transferable?

The impact of trade barriers in developing countries

Despite the widespread advocacy of trade liberalisation, there is little hard data on the impact of trade barriers (and thus the immediate costs of protectionism) in developing countries. As a result cross-country comparisons are very hard to make. In particular, a number of authors (including Laird and Yeats who have written more on this subject than most others) agree that there is a need for more work on non-tariff barriers (NTBs). The way the impact of NTBs is measured is still highly underdeveloped and sensitive to the products included. One approach has been to use frequency ratios, but these provide only a starting point for examining the structure of protection in developing countries; the economic content of such statistics is limited (DeRosa, 1988). The problems with using price

differentials as a proxy are outlined by Kostecki (1987). In some countries there is little data even about the extent of NTBs. It is not known, for example, what proportion of Indian imports are subject to formal and informal quantity restrictions (Desai, 1988).

Definition of NTBs is itself a difficult issue. Within the GATT, members have raised the issue of regulations governing services, investment incentives and performance requirements, as well as intellectual property laws. More empirical work is needed on the impact of such regulations on developing country trade.

3. Micro aspects of trade policy

There are several aspects of developing country trade policy at the microeconomic level which merit further study (some of which have already been alluded to above).

One is the relevance of strategic trade theory to developing countries. Much of the new work, which incorporates assumptions of imperfect competition, increasing returns to scale and product differentiation, has focussed on developed countries' trade with each other. Are there cases in which the new theories are more appropriate for developing countries than the neoclassical/orthodox approach? and what are the implications for their trade policy and the role of their governments?

Richardson (1988) notes that the beneficial impact of trade liberalisation under imperfect competition is not guaranteed, but is an empirical question. Most research, which has focussed on developed countries with the important exception of Rodrik (1988), has found significant gains are generated. There remains considerable room for more empirical studies on these models in the developing country context, particularly to provide information on market structures, entry constraints, intersectoral links, etc (Helpman, 1989; Jebuni et al, 1988) .

Another issue is the impact of different trade policy instruments. Some countries have used selective instruments, such as export subsidies, more effectively than others. Useful lessons may be learnt from a multi-industry cross-country study. More research is also needed to determine whether there are conditions which justify the use of subsidies or other supportive measures, including incentives for investment in tradeables, whether it be on developmental, strategic, or efficiency grounds. This seems essential given current moves in the GATT (and bilaterally) to curtail their use.

A third broad area is that of the importance and effects of firm size and ownership. This aspect was apparently not well covered in the World Bank/Michaely project. Do firms respond

differently to the changing incentive systems associated with trade liberalisation, according to whether they are foreign manufacturing firms, foreign buyers, domestic public enterprises, domestic privately-owned medium or small-sized firms, or in the informal sector? (Heimenz and Langhammer, 1989) For instance in Latin America there is evidence that trade liberalisation led to the disappearance of many smaller firms in the import-competing sector. This may be important for distributional and developmental reasons.

On the export side, the structures of export industries in Korea and Taiwan are radically different, despite their comparable successes. Are such differences largely the result of variations in government intervention? Despite the poor performance of government-sponsored export agencies in many countries, are there economies of scale, externalities, or market imperfections which justify their continued existence, albeit radically reformed? What has been the experience in countries where such agencies have been disbanded?

Jebuni et al's model (1988) suggested that there is a positive relationship between the degree of domestic market concentration and export performance. Their empirical work, however, found that this was only the case in half of dozen countries in their sample; for the other half there was a negative association. (nb all but two of the results were statistically insignificant.)

A fourth general area concerns the commodity sector. More work is needed on the diversification options for commodity producers. In the first instance countries need to be able to distinguish a short-run/temporary change in the price of a commodity from a permanent change, in order to know when to diversify out of a commodity. There may be lessons to learn from some countries (eg Indonesia, Malaysia) which appear to have been more successful at diversification than others. Econometric modelling of long-term price trends may be needed to discriminate amongst short-term, cyclical and long-term price changes.

There may be scope for developing countries to increase the unit value of their commodity exports by alternative sales techniques ('commercialisation activities' in UNCTAD jargon), eg through greater involvement in commodity exchanges, or direct sales to foreign processors. Lessons could be learnt from a cross-country comparison of experiences with different techniques, and the roles played by the public and private sectors.

Another option is to increase the level of processing. This has been tried in some countries more successfully than in others. Drawing on these different experiences, a research

project could usefully identify a set of criteria for determining when a country should support the establishment of downstream industries, and what approaches are more appropriate.[4]

Further possibilities include diversification into other commodities or industry. Several countries have already implemented diversification projects which could be the subject of research. This would redress the fact that there are 'no texts on the principles of agricultural diversification and little formal advice ... on the circumstances necessary to make agricultural diversification successful and what its implications might be for the welfare and viability of small farms.' (Wyeth, 1989, p1). More generally there is a need for information about the impact of different products on employment and income distribution, as well as on the trade balance.

Finally, there is the option of market diversification. Diversification of exports through the promotion of South-South trade has been the subject of a lot of negotiations in recent years, and some research (see, for instance, O. Havryshylyn, 1987; Erzan, Laird and Yeats, 1988). It has attracted interest as a result of several factors - declining growth prospects and protectionism in traditional developed country markets, the discussion of inward-looking trading blocs from which developing countries may be excluded, increased access to developing country markets (as a result of their structural adjustment programs, recent South-South tariff preferences, and concessions expected of the NICs in the course of the Uruguay Round) and, finally, a renewed commitment by many to regional economic cooperation.

While there has been some modelling and data collection, considerable work remains to be done in analysing and quantifying the nature of South-South trade, whether on a regional or inter-regional basis. Erzan et al underline the importance of supply elasticities in determining the benefits of South-South preferences. There is scope for further research on the nature of products to be traded amongst Southern countries, and the supply conditions necessary to maximise the benefits of such trade.

## B. Other issues

### 4. Uruguay Round issues

The Uruguay Round has triggered a lot of work on trade issues in universities, research institutions and multilateral organisations all over the world. Much of this work is

---

[4]UNCTAD is undertaking some work in commercialisation and processing, but there is scope for complementary studies.

summarised in two research inventories published by the World Bank (Jalali, 1988 and Jalali, 1989). The two volumes published to date include nearly 400 entries (nb not all are directly relevant to developing countries). More than two thirds concentrated on issues being raised in the negotiating groups on agriculture, services, the functioning of the GATT system, non-tariff measures, and tariffs.

Two major projects on developing country interests in the Uruguay Round were supported by the Ford and Rockerfeller Foundations. The major difference was one of scale, with the Ford Foundation being considerably larger. Both included papers on specific country interests in the different issues on the negotiating agenda (Brazil, India, Korea, and Mexico being common to both). Both also explored different themes (eg issues of market access for manufactures in the case of Brazil, bilateralism in Korea), though this was done more explicitly and extensively in the Ford project - as well as the country papers it included a set of thematic studies (see Whalley 1989a and Whalley 1989b). The question of coalitions was raised in several places in both projects (and is also the subject of Finlayson and Weston, 1990). Broader issues of strategy were pursued in the concluding paper of the Ford project (Whalley et al, 1989), and by other authors (eg Balassa, 1988b; Koekkoek, 1988) .

Notwithstanding this volume of work, there remain several areas for further GATT-related work. First, will be the evaluation of the outcome of the Round for developing countries, both the increased opportunities it produces and how these should be seized, and arising commitments. Second, there will continue to be a need for work on the unresolved issues. These are likely to include some of the 'old' subjects like subsidies (see above), but especially the 'new' areas, ie services, trade-related intellectual property issues, and trade-related investment issues. Even in services, where there has been relatively more work, there are still many areas of ignorance. In particular more empirical work is needed on the basis of competitiveness in services - which countries have it and how it may be acquired -as well as the benefits of liberalisation.[5] On the question of intellectual property rights, more analysis is needed of the economic costs and benefits to developing countries of limited protection. As the definitions and a framework for rules in

---

[5]For example, 'Given the present state of the art, it is extremely difficult to say if liberalization of services trade will benefit Asean countries, especially since the whole issue is beset with a host of conceptual and practical problems, and there is too severe a data constraint on the services trade of Asean countries to arrive at useful policy suggestions.' Ariff, 1988, p.29. See also Nayyar, 1988; Abreu, 1988.

these areas are sketched out, it may become easier for developing countries to assess their particular interests.

## 5. Factors Influencing Trade Policy

### Trade Policy Institutions

An issue high on the GATT agenda is the need to make domestic trade policy-making (and indeed the making of any policy which affects trade) more transparent in all countries. The underlying rationale is to highlight the costs and benefits of alternative policies to the domestic economy and to trading partners, and thus to deter the introduction of protectionist measures. (Understanding how trade policy is made in importing countries should help developing countries lobby for improvements in their favour.) As Bhagwati points out, there is a need to correct "the pro-protectionism bias of the current institutions" (1988). The immediate concern is how to institutionalise this process.

In the first instance, GATT members have agreed to regular multilateral reviews of all contracting parties, to be undertaken by the GATT Council. These reviews will be undertaken on an individual basis, every two, four or six years depending on a country's importance in world trade, though less frequently for the least-developed countries. In addition the GATT Secretariat will continue to publish annual overviews on developments in the international trading system. It remains to be seen whether this goes far enough. More may be needed if the GATT is to do for trade what the OECD Development Assistance Committee (DAC) does for aid, ie to produce an annual report analogous to the DAC annual report which ascribes points to each country.

A related issue is the most appropriate and effective domestic mechanism for formulating and evaluating trade policies. Several references in the literature and debate on this subject have been made to the Australian Industries Assistance Commission (IAC) and the US International Trade Commission (Leutwiler 1985, and Long 1989). The chairman of the IAC has argued that such domestic bodies are essential to change the way trade policy is made, ie from a balancing act between the requests of foreigners and the demands of domestic pressure groups, to a series of trade-offs within the domestic economy (Carmichael, 1986).

On the other hand, questions have been asked about the efficacy of the IAC, and its transferability to developing countries; in particular some observers are concerned whether the creation of a new agency would do more than create another layer of bureaucracy.

The World Bank and others have also been keen to assist developing countries rationalise and strengthen their trade

policy-making machinery, given the key role that trade liberalisation is seen to have in economic restructuring, and the complexity of the policy reforms involved. A comparative analysis of existing structures for trade policy formulation and evaluation would therefore seem timely: how is trade policy formulated in developing countries? what are the checks and balances? what models are most successful? The report by Long et al (1989) includes a list of desirable characteristics, but limited its survey to institutions in the OECD.

Martone and Primo Braga (1988, p77 and p96), for instance, stress the need for reform of the trade institutions (and laws) in Brazil, if trade policy is to be rationalised, ie to increase transparency and also take into account the interests of consumers.

Ikiara (1989) underlines the need for radical changes in the way trade policies are made in Africa. His particular concern is to increase African participation in multilateral trade negotiations, which has been severely constrained by limited personnel with training and experience, and inadequate infrastructural support. Not only are improvements needed in the communications with capitals, but in the articulation of trade priorities. This requires increasing resources devoted to trade policy research, closer consultation between trade officials, the private sector, research institutes and academics, and better liaison between the various ministries involved. (Similar points are made by Frimpong-Ansah, 1988). While more use could be made of regional groupings to pursue common objectives, countries must first determine what are their specific national interests. As Ikiara points out, too many countries have mistakenly assumed that block interests are synonymous with their own. External agencies could help with financial support of regional institutes specialising in international economics and trade negotiations.

A similar conclusion about the lack of basic trade policy capacity in most countries was drawn by John Whalley from his Ford Foundation project on Developing Countries and the Global Trading System. He has therefore recommended that the Ford Foundation and others support the establishment of trade policy research institutes in each continent. These would aim to build up country level expertise and also focus on regional issues eg debt and trade in Latin America, and commodities in Africa. While such institutes may undertake useful work, they will complement not substitute for the creation of a statutory, independent, and non-judicial body in each country (Long et al, 1989).

## Political and Economic Determinants

Improved understanding of the political and economic determinants of trade policy seems an essential prerequisite to

the formulation of sustainable new policies. It may help to determine which policies are likely to be opposed, and whether compensation would be appropriate (Mosley and Toye, 1988). For example in Korea, Young (1988) notes that for many years, when trade policy was in the hands of a few technocrats, macroeconomic efficiency was the key consideration. More recently, however, various interest groups have become involved in the decision making process, and policymakers have had to slow the pace of liberalisation, to take into account the distributional implications.

Such knowledge is limited. A number of studies have been undertaken in the developed countries (eg. the World Bank studies carried out in the early 1980s; Baldwin, 1985; Destler and Odell, 1987; Magee and Young, 1987) but there are fewer for developing countries (eg Kohli 1989; Bautista, 1989, includes only a chapter on political aspects). Heimenz and Langhammer (1989) suggest that the political economy of export promotion also be studied.

Bhagwati (1988b) considers how various political as well as institutional factors determine a country's trade policy. He suggests that in some developed countries the executive's support for free trade coupled with the legislature's support of sectoral interests may lead to 'porous' protectionist tactics. The salience of this 'two-headed' political model could be the subject of further research.

On economic determinants, areas for more work include: the nature of the link between trade policy and international financial and monetary phenomena and structuralist explanations of the new protectionism (Grilli, 1988; Dornbusch and Frankel, 1987).

6. Trade bargaining

Bargaining over trade policy is another area of potentially increasing importance. In the past many developing countries adopted an essentially passive attitude in the GATT; in most cases their involvement was limited to seeking non-reciprocal special treatment. Whatever the merits of this approach (Hudec, 1987) the prospect of increasing protectionism, as well as demands for graduation, have drawn several countries into the trade bargaining process, both multilaterally in the GATT and bilaterally (see, for example, Whalley et al 1989, Finlayson and Weston 1990). Inter-developing country trade bargaining has also intensified with the GSTP and revived interest in regional arrangements.

The advantages of developing countries using retaliation and reciprocity to enhance their market access are spelt out in McMillan (1988). Some have responded to particularly harsh quotas on their clothing exports by cutting imports. Other

countries (notably Korea, see Allgeier, 1988) have begun to relax their own import restrictions to insure against further action against their exports. A parallel strategy has been to build support within export markets for open trade policies, for instance, by lobbying legislators together with importers, consumer groups and even bankers (Destler and Odell, 1987).

Unilateral trade liberalisation has been undertaken by several countries as part of economic restructuring (which has raised the issue of how to secure 'credit' in GATT bargaining). Even here bargaining has arisen with the IMF and the World Bank, over the appropriate policies.

Despite their increased interest in the GATT, and unprecedented contributions in the Uruguay Round (eg in the form of written proposals), the structure of the negotiations limits the participation of most developing countries. Few can afford the large delegations required to attend the concurrent meetings. This raises the question of whether some form of joint representation is possible (following the example of the EFTA countries or ASEAN members), or whether the structure can be changed.

Instances of collective negotiations over trade outside the GATT are relatively limited (and even in the GATT there is some question as to how far developing country coalitions are likely, see Kahler and Odell, 1988). An important exception is UNCTAD, where the G77 has secured the GSP, the GSTP, and most recently the Common Fund (though it is a matter of debate whether these were more than hollow victories). Nor should the successful joint negotiation, under UNCTAD's auspices, of several international commodity agreements in the 1970s be forgotten - a re-examination of the reasons these agreements fell apart in the 1980s may provide lessons for future joint bargaining.

Various issues to consider in further detail include: is there scope for joint bargaining outside the GATT? what lessons may be learnt from the techniques of the more advanced developing countries (eg in lobbying)? to what extent is technical assistance appropriate for countries involved in negotiations over trade, whether with trading partners or multilateral agencies?[6] how are non-trade factors (eg debt or foreign relations) brought into the bargaining process?

---

[6]Some assistance has been provided in the GATT rounds by UNCTAD, the World Bank and the Commonwealth Fund for Technical Cooperation, inter alia.

## 7. North-South interdependence revisited

While much recent work has concentrated on the adjustments developing countries need to make in their economic policies, there has been little work on complementary adjustment in the industrial countries. It is generally accepted that developed country protectionism costs developing countries much more than they receive in aid - some figures suggest twice as much. An interesting area for research would be an analysis of the assumptions (whether explicit or implicit) about access to developed country markets underlying recent structural adjustment programs. To what extent have they been contradicted eg by the introduction of quotas or tariffs? If existing market barriers are taken as given, to what extent would improved access to Northern markets ease the burden of structural adjustment in the South? This in turn could entail some work on the extent of adjustment needed in the North.

Complementing this could be an analysis of the longer term opportunities for developed countries in the restructuring Southern economies, especially in terms of exports and investment. In the medium term, however, expanding sales to many developing countries will require new sources of finance, such as compensatory finance mechanisms, counter trade, and increased private investment. The relative merits of different trade mechanisms could be the subject of a review. A particular concern for some of the poorer, smaller developing countries is the extent to which Northern tied aid (including food aid) and export credit policies distort their markets. Work in this area could build on recent country case-studies carried out by the OECD.

## III. Conclusion

It is not possible in a paper of this length to deal exhaustively with all areas of trade policy research relevant to developing countries. The aim therefore has been to highlight a number of key areas.

In recent years many developing countries have initiated radical changes in their trade policy as part of economic restructuring. It is timely to take stock of these changes and evaluate their impact on longer term development prospects - specifically the implications for employment, industrialisation and income distribution - as well as their impact on trade balances. Where the results have been favourable, the underlying factors need to be isolated before determining how far the experiences can be replicated in other countries. Where the results have been limited, alternative options should be explored, including compensating mechanisms and different strategies (market and product diversification).

A central issue is the appropriate role of governments in trade - how, if at all, they should be involved in the selection and establishment of efficient import-substituting or export industries. More work is needed on the extent to which government policies in many areas can influence comparative advantage. It is important in this context to consider ways to rationalise and improve trade policy decision-making and monitoring machinery. Complementary measures to strengthen trade policy analysis outside governments are also essential. Both are important pre-requisites for improving trade bargaining.

A third area for research are the issues likely to be important in future rounds of trade negotiations, both in terms of substance and process. For instance these may include developing country interests in services and rules on restrictive business practices, the new role in the GATT of the Eastern bloc, and alternative bargaining structures.

While the focus has been on the adjustment of the developing countries, parallel work is needed to assess whether developed countries are playing an adequate complementary role, particularly in terms of their trade policies, and if not, how to overcome the constraints. It remains to be seen whether the Uruguay Round will create the opportunities developing countries need to underpin renewed emphasis on outward-looking growth.

## Bibliography

M. Abreu, 'Developing Countries and the Uruguay Round of Trade Negotiations', First Annual World Bank Conference on Development Economics (27-28 April 1989).

T. Addison and L. Demery, 'The impact of liberalisation on growth and equity', in G. Renshaw (ed), Market Liberalisation, Equity and Development, World Employment Programme, ILO, Geneva, 1989.

African Development Bank, African Development Report 1989, Abidjan, 1989.

M. Agarwal, 'A Comparative Analysis of India's Export Performance, 1965-80', The Indian Economic Review XXIII:2 (June-December 1988).

P. Allgeier, 'Korean Trade Policy in the Next Decade: Dealing with Reciprocity', World Development 16:1 (January 1988).

M. Ariff, 'The Role of ASEAN in the Uruguay Round: Opportunities and Constraints', paper for the Rockerfeller Foundation project on the Multilateral Trade Negotiations and the Developing Countries, 1988.

B.Balassa, 'Policy Choices for Developing Countries', The Indian Economic Review XXIII:1 (January-June 1988) (a).

B. Balassa, 'Interest of Developing Countries in the Uruguay Round', The World Economy 11:1 (March 1988) (b).

R. Baldwin, The Political Economy of US Import Policy, MIT Press, Cambridge, 1985.

R. Bautista, Impediments to Trade Liberalization in the Philippines, Trade Policy Research Centre Thames Essay No. 54, Gower 1989

R. Benko, 'Intellectual Property Rights and the Uruguay Round', The World Economy 11:2 (June 1988).

J. Bhagwati, 'Export-Promoting Trade Strategy: Issues and Evidence', The World Bank Research Observer 3:1 (January 1988) (a).

J. Bhagwati, Protectionism, MIT Press, Cambridge, 1988 (b).

J.Bhagwati, Anatomy and Consequence of Exchange Control Regimes, Ballinger, Cambridge, 1978.

K. Bhatia, 'Foreign Trade and Income Distribution: The Case of Malaysia', The Centre for the Study of International Economic Relations Working Paper 8801C (December 1987).

F. Bourguignon and C. Morrisson, External Trade and Income Distribution, Development Centre of the OECD, Paris, 1989.

C. Bradford Jr, 'NICs and the Next-Tier NICs as Transitional economies' in Bradford and Branson (eds) Trade and Structural Change in Pacific Asia, NBER 1987.

R. Brecher and E. Choudhri, 'Immiserizing Investment from Abroad: the Singer-Prebisch Thesis Reconsidered', The Quarterly Journal of Economics, 97:1, February 1982.

W. Carmichael, 'National Interest and International Trade Negotiations', World Economy, December 1986.

W. Cline, 'Macroeconomic Influences on Trade Policy', in "U.S. Trade Policy: Short-term Pressures and Long-term Strategy", American Economic Review 79:2 (May 1989).

E. Colombatto, 'New Evidence on Exports and Growth in the LDCs', Centro Studi Luca d'Agliano - Queen Elizabeth House Development Studies Working Papers 5 (September 1988).

D DeRosa, 'Asian Preferences and the Gains from MFN Tariff Reductions', The World Economy, September 1988.

A. Desai, 'India and the Uruguay Round', paper for the Rockerfeller Foundation project on the Multilateral Trade Negotiations and the Developing Countries, 1988

I. Destler and J. Odell, Anti-Protection: Changing Forces in United States Trade Politics, Policy Analyses in International Economics No 21, Institute for International Economics, Washington D.C., 1987.

R Dornbusch and J Frankel, 'Macroeconomics and Protection', in R Stern (ed), US Trade Policies in a Changing World Economy, MIT Press, Cambridge, 1987.

S. Edwards, 'Terms of Trade, Tariffs, and Labor Market Adjustment in Developing Countries', The World Bank Economic Review 2:2 (May 1988).

L. Emmerij (ed), One World or Several?, OECD, Paris, 1989.

R. Erzan, S. Laird and A. Yeats, 'On the Potential for Expanding South-South Trade Through the Extension of Mutual Preferences Among Developing Countries', World Development 16:12 (December 1988).

J. Finlayson and A. Weston, The GATT, Middle Powers and the Uruguay Round, Middle Powers in the International System No.5, NSI, Ottawa, 1990, forthcoming.

R. Feinberg, 'Intellectual Property, Injury, and International Trade', Journal of World Trade 22:2 (April 1988).

J. Frimpong-Ansah, 'Sub-Saharan Africa and the International Trade System', paper for the Rockerfeller Foundation project on the Multilateral Trade Negotiations and the Developing Countries, 1988.

GATT, Press Release, 21 February 1989.

GATT, Review of Developments in the Trading System, Geneva, various issues.

E. Grilli, 'Macro-economic Determinants of Trade Protection', The World Economy 11:3 (September 1988).

E. Grilli and M. Yang, 'Primary Commodity Prices, Manufactured Goods Prices, and the Terms of Trade: What the Long Run Shows', The World Bank Economic Review 2:1 (January 1988).

G. Grossman and E. Helpman, 'Comparative Advantage and Long-Run Growth', National Bureau of Economic Research, Working Paper No. 1809, Cambridge, January 1989.

O. Havrylyshyn (ed), Exports of Developing Countries. How Direction Affects Performance, World Bank, Washington DC, 1987.

G. Helleiner, 'Outward orientation, import instability and African economic growth: An empirical investigation', in S. Lall and F. Stewart (eds), Theory and Reality in Development, Macmillan, London, 1986.

G. Helleiner, 'Trade Strategy in Medium-Term Adjustment', World Development, forthcoming, 1989.

E. Helpman, 'The Non-Competitive Theory of International Trade and Trade Policy', First Annual World Bank Conference on Development Economics (27-28 April 1989).

U. Hiemenz and R. Langhammer, 'Liberalisation and the successful integration of developing countries into the world economy' in G Renshaw (ed), op cit.

R. Hudec, Developing Countries in the GATT Legal System, Trade Policy Research Centre, Thames Essay No.50, Gower, London 1987.

G. Ikiara, 'Promoting Africa's Participation in Multilateral Trade Negotiations', mimeo, 1989.

IMF, World Economic Outlook, April 1989.

J. Jalali (ed), A Research Inventory for the Multilateral Trade Negotiations, World Bank, Washington DC, 1988.

J. Jalali (ed), A Research Inventory for the Multilateral Trade Negotiations, World Bank, Washington DC, 1989.

C. Jebuni, J. Love, and D. Forsyth, 'Market Structure and LDCs' Manufactured Export Performance', World Development 16:12 (December 1988).

M. Kahler and J. Odell, 'Developing Country Coalition-Building and International Trade Negotiations', in Whalley (1989a).

K. Koekkoek, 'The Integration of Developing Countries in the GATT System', World Development 16:8 (August 1988).

A. Kohli, 'Politics of Economic Liberalization in India', World Development, Vol 17 No3, 1989.

M. Kostecki, 'Export-restraint Arrangements and Trade Liberalization', The World Economy 10:4 (December 1987).

M. Kostecki, 'Electronics Trade Policies in the 1980s', Journal of World Trade 23:1 (February 1989).

A. Krueger, Foreign Trade Regimes and Economic Development: Liberalization Attempts and Consequences, Ballinger, Cambridge, 1978.

S. Laird and A. Yeats, 'Trends in Nontariff Barriers of Developed Countries, 1966-1986', International Economics Department, The World Bank, Policy, Planning, and Research Working Papers (International Trade) WPS 137 (December 1988).

D. Lal and S. Rajapatirana, 'Foreign Trade Regimes and Economic Growth in Developing Countries', The World Bank Research Observer 2:2 (July 1987).

R. Langhammer, 'Implications of Foreign Trade Liberalization in Developing Countries', The Indian Journal of Economics LXVIII:269 (October 1987).

F. Leutwiler et al, Trade Policies for a Better Future, GATT, 1985

I. Little et al, Industry and Trade in some Developing Countries, OUP 1970

O. Long et al, Public Scrutiny of Protection. Domestic Policy Transparency and Trade Liberalization, Trade Policy Research Centre Special Report No. 7, London, Gower, 1989.

J. Love, 'Export Instability, Imports, and Investment in Developing Countries', The Journal of Development Studies 25:2 (January 1989).

J. Loxley, Ghana. Economic Crisis and the Long Road to Recovery, North-South Institute, Ottawa, 1988.

J. Macomber, 'East Asia's Lessons for Latin American Resurgence', The World Economy 10:4 (December 1987).

S P Magee and L Young, 'Endogenous Protection in the United States, 1900-84', in R Stern (ed), US Trade Policies in a Changing World Economy, MIT Press, Cambridge 1987.

C. Martone and C. Primo Braga, 'Brazil and the Uruguay Round', paper for the Rockerfeller Foundation project on the Multilateral Trade Negotiations and the Developing Countries, 1988.

W. McCleary, 'Policy Implementation under Adjustment Lending', Finance and Development, 26:1 (March 1989).

J. McMillan, 'A Game-Theoretic View of International Trade Negotiations: Implications for the Developing Countries', in Whalley (ed) Vol. 1, 1988.

M. Michaely, A. Choski, and D. Papageorgiou, 'The Design of Trade Liberalization', Finance and Development, March 1989.

C. Moran, 'A Structural Model for Developing Countries' Manufactured Exports', The Word Bank Economic Review (September 1988).

P. Mosley and J. Toye, 'Design of Structural Adjustment Programmes', Development Policy Review, 6:4, Dec 1988.

M. Mrak, 'Current Economic Crisis and South-South Cooperation', The Indian Journal of Economics LXVIII:269 (October 1987).

D. Nayyar, 'Some Reflections on the Uruguay Round and Trade in Services', Journal of World Trade 22:5 (October 1988).

H. Preusse, 'The Indirect Approach to Trade Liberalisation: Dynamic Consideration on Liberalisation-cum-Stabilization Policies in Latin America', World Development 16:8 (August 1988).

J.D. Richardson, 'Empirical Research on Trade Liberalisation with Imperfect Competition: A Survey', OECD Economics and Statistics Department Working Papers 16363 (November 1988).

D. Rodrik, 'Imperfect Competition, Scale Economies, and Trade Policy in Developing Countries', in R. Baldwin (ed) Trade Policy Issues and Empirical Analysis, University of Chicago Press, Chicago, 1988.

J. Sachs, Trade and Exchange Rate Policies in Growth-Oriented Adjustment Programs, National Bureau of Economic Research Working Paper No. 2226, April 1987.

P. Sarkar, 'The Long-Term Behaviour of Terms of Trade Between Primary Products and Manufactures: From the Classical Idea to the Prebisch-Singer Hypothesis', The Indian Economic Journal 34:3 (January-March 1987).

N. Siddharthan, 'International Economic Turmoil: The Process of Creative Destruction', The Indian Economic Journal 35:4 (April-June 1988).

H. Singer and P. Gray, 'Trade Policy and Growth of Developing Countries: Some New Data', World Development 16:3 (March 1988).

UN Economic Commission for Africa, African Alternative Framework to Structural Adjustment Programmes for Socio-Economic Recovery and Transformation, Addis Abbaba 1989.

J Whalley (ed), Developing Countries and the Global Trading System. Vol.1 Thematic Studies, Macmillan, London, 1989 (a).

J Whalley (ed), Developing Countries and the Global Trading System. Vol.2 Country Studies, Macmillan, London, 1989 (b).

J. Whalley et al, The Uruguay Round and Beyond, Macmillan, London, 1989.

World Bank, Beyond Adjustment: Toward Sustainable Growth with Equity in sub-Saharan Africa, World Bank, 1988 (mimeo).

World Bank, World Development Report 1987, Washington DC, 1987.

World Bank, World Development Report 1989, Washington DC, 1989.

J. Wyeth, Diversification: Eight Lessons from Honduran Experience in the Coffee Sector, IDS Discussion Paper No 259, April 1989.

R. Young, Zambia. Adjustment to Poverty, North-South Institute, Ottawa, 1988.

S. Young, 'The Republic of Korea and the Uruguay Round of Multilateral Trade Negotiations', paper for the Rockerfeller Foundation project on the Multilateral Trade Negotiations and the Developing Countries, 1988